

Scholar'sEdge

Morningstar Analyst Rating

Top
Above Average
Average
Below Average
Bottom

Analysis by Kailin Liu 09-29-2011

New Mexico Scholar's Edge is still dusting itself off.

This plan is recovering from catastrophic losses among some bond holdings in 2008. The state subsequently investigated the management of the program, and Oppenheimer paid New Mexico a settlement of \$67.3 million in 2010 for Scholar's Edge and the state's direct-sold plan, The Education Plan. The program managers also took steps to address the risky funds at the source of the damage. In 2009, primary offender Oppenheimer Core Bond was replaced with buttoned-up, respectable American Century Diversified Bond. Oppenheimer Limited-Term Government, which also suffered losses, remained in the portfolio but with a new management team.

Now the plan's portfolio of underlying funds features a generally solid lineup, but there are pockets of uncertainty. The plan features some well-respected strategies, such as new additions Oppenheimer International Growth (a Morningstar analyst favorite) and Thornburg International Value as well as Invesco Mid Cap Core and Oppenheimer Value. Oppenheimer International Bond is another strong fixed-income strategy. However, four of the 12 underlying funds have replaced a portion or all of their management teams in the past few years. Of these four, two are bond funds that experienced outsized losses in 2008. The other two, Oppenheimer Capital Appreciation and Oppenheimer Main Street Small-Mid Cap, are equity funds that were not directly affected by the fixed-income upheaval. Such changes aren't necessarily a negative; in fact, many of the affected funds have performed quite well so far and (in the case of bond funds) are arguably improvements over their predecessors. Nonetheless, more time is necessary to better assess the skill of the new managers.

The various funds are still configured within the plan as one age-based option, six static-allocation options, eight individual fund options, and a capital-preservation option. The glide path for the age-based track remains more equity-heavy than the industry average before age 12, though it is fairly close to industry norms in the later years.

Plan fees are a mixed bag. The age-based option is more expensive than its peers; A shares cost between 0.99% and 1.24%. The static and individual fund options run from reasonably priced to quite expensive. New Mexico residents can compensate for the higher cost with the state's generous full deduction of contributions from state income.

All told, New Mexico residents have a decent choice in this plan. Nonresidents would benefit from shopping around.

Web Address	www.scholarsedge529.com
Program Manager	OFI Private Investments Inc
Trustee	The Education Trust Board of New Mexico
Advisor Sold	Resident and non-resident
Direct Sold	—
Fee Range (Age-based)	0.99-1.99
Minimum Initial Investment	\$250
Annual State Tax Deduction (per Beneficiary)	Single filing up to \$294,000 Joint filing up to \$294,000

Plan Options

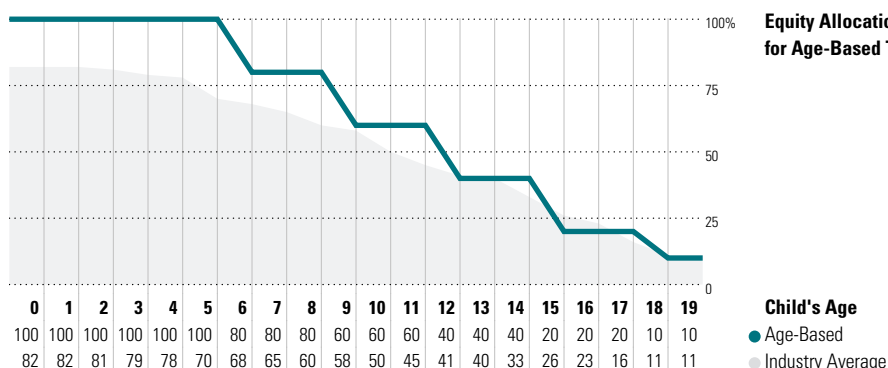
Age-Based Tracks: 1

Static Portfolios/Funds: 15

Issuing State

New Mexico

Equity Allocation % for Age-Based Tracks



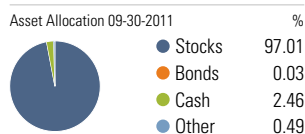
Plan Option Overview 09-30-2011

Option Name	Overall Star Rating	Current Equity %	Total Fees %	Fee Level	YTD		3-Year		5-Year	
					Total Rtn %	Cat Rank %	Total Rtn %	Cat Rank %	Total Rtn %	Cat Rank %
● Age-Based										
NM Scholar'sEdge Age 0-5 Aggr A	★	97.01	1.23	Avg	-12.62	52	-0.06	64	-2.86	82
NM Scholar'sEdge Age 6-8 Mod Agg A	★★	75.28	1.24	+ Avg	-10.30	72	1.78	57	-0.59	52
NM Scholar'sEdge Age 9-11 Moderate A	★	53.57	1.21	+ Avg	-6.18	58	0.09	93	-1.43	98
NM Scholar'sEdge Age 12-14 Cnsv A	★	34.34	1.14	+ Avg	-3.30	71	0.31	95	-1.42	98
NM Scholar'sEdge Age 15-17 Ultra Cnsv A	★	16.70	1.06	Avg	-0.54	71	0.70	95	0.38	96
NM Scholar'sEdge Age 18+ School Yrs A	★	8.22	0.99	Avg	0.47	31	1.12	89	0.77	92
NM Scholar'sEdge Aggressive Port A	★	97.01	1.23	- Avg	-12.69	82	-0.06	84	-2.88	90
NM Scholar'sEdge Moderately Aggr Port A	★	75.34	1.24	Avg	-10.36	95	1.77	86	-0.59	90
NM Scholar'sEdge Moderate Port A	★	53.42	1.21	Avg	-6.17	47	0.15	92	-1.38	95
NM Scholar'sEdge Cap Preservation A	—	0.00	0.46	- Avg	2.19	6	3.33	1	—	—
NM Scholar'sEdge Conservative Port A	★	34.29	1.06	- Avg	-3.30	66	0.32	95	-1.38	96
NM Scholar'sEdge S/T Yield A	—	0.00	0.27	Low	0.00	55	0.33	46	1.77	43
NM Scholar'sEdge Div Income A	★★	0.92	1.25	High	-1.07	86	7.19	60	5.51	29
NM Scholar'sEdge Intl Equity A	★★★	96.54	1.32	- Avg	-13.04	12	-0.22	27	-4.65	58
NM Scholar'sEdge School Years Port A	★	8.23	0.99	- Avg	0.42	75	1.11	90	0.76	95
NM Scholar'sEdge Sm- & Mid-Cap Core A	★	98.76	1.28	Low	-15.66	53	0.93	40	-1.48	64
NM Scholar'sEdge Large-Cap Gr A	★	98.88	1.22	- Avg	-10.13	29	0.30	77	-2.14	88
NM Scholar'sEdge Large-Cap Val A	★★★	95.46	1.05	Low	-13.38	67	-0.92	34	-2.71	45
NM Scholar'sEdge Ultra Cnsv Port A	★	16.68	1.06	Avg	-0.45	82	0.58	92	0.31	96
NM Scholar'sEdge Large-Cap Core A	★	96.02	1.40	+ Avg	-12.51	65	0.14	54	-2.61	72
NM Scholar'sEdge Intermediate Bond A	★	0.00	1.16	+ Avg	5.33	23	-6.91	95	-5.78	98

Current Equity % is as-of the most recent portfolio date available. For Category Rank %, 1 = highest rank, 100 = lowest rank.

Age-Based Highlights 09-30-2011

NM Scholar'sEdge Age 0-5 Aggr A

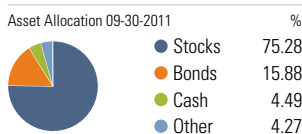


Top Asset Managers	%
OppenheimerFunds	71.88
MainStay	17.88

529 Category
Age 0-6 High Equity

Return vs Category	Low
Risk vs Category	Average

NM Scholar'sEdge Age 6-8 Mod Agg A

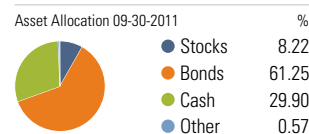


Top Asset Managers	%
OppenheimerFunds	78.51
MainStay	13.52

529 Category
Age 7-12 High Equity

Return vs Category	Below Average
Risk vs Category	Above Average

NM Scholar'sEdge Age 18+ School Yrs A



Top Asset Managers	%
OppenheimerFunds	46.14
American Century Investments	26.20

529 Category
Age 19+ Medium Equity

Return vs Category	Low
Risk vs Category	Above Average